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AGENDA ITEM

Action Item

Information Only

Date: January 28, 2021

Item Number: V

Title: Governor's Recommended Budget for the 2022/2023 biennium

SUMMARY

This report addresses the Governor's Recommended Budget for the 2022/2023 biennium.

BACKGROUND

On November 23, 2020, the PEBP Board met and approved PY22 plan design based on the 12% budget reserve requirements issued by the Governor's Finance Office (GFO) on November 3, 2020. In addition to various plan design changes, the Board approved the following options:

- Implement OON billed charges negotiated by using 140% Medicare model rather than Fair Health Standards
- Implement Smart 90 on EPO and Low Deductible (LD) plans
- Implement Advantage Network to CDHP, EPO and LD plan
- Reduce Medicare HRA contribution from \$13 to \$11 per year of service
- Reduce basic life insurance benefit from \$25k/\$12,500 to \$10k/\$5k
- Reduce Long Term Disability Benefit to 50% benefit
- Unbundling of dental premium

These options were projected to produce the \$36M in savings required by PEBP.

REPORT

The Governor's Recommended Budget for Fiscal Years 2022 and 2023 was released on January 18, 2021 and delivered by Governor Sisolak in a State of the State address the following day. In addition to the elimination of furloughs, the Governor's recommended budget was successful in minimizing the impact to state employees through the preservation of medical benefits and stable

premiums. Included in the budget highlight of the Governor’s Executive budget is the following statement:

“The Governor’s budget prioritizes the health and well-being of state employees, retirees and their families who will continue to have access to an excellent medical benefit package through PEBP. It is more crucial than ever for state employees to have access to options that fit their unique health care needs. PEBP will expand the coverage options offered through the program in the upcoming biennium to include a new low deductible copay-based option. In addition to increased choice, premiums are expected to remain stable for the upcoming plan year.”

The Governor’s Recommended Budget includes significantly lower cuts than the program had anticipated. Additional funding for the program focuses on prioritizing access to care by preserving medical benefits and avoiding any significant premium increases.

The table below provides a comparison between what is offered today, what was approved by the Board and submitted as part of the 12% budget reserves requirement, and the proposed plan design based on the Governor’s Recommended Budget.

	CDHP			New Low Ded PPO w/ copay			EPO/HMO		
	Current	12%	Gov Rec	Current	12%	Gov Rec	Current	12%	Gov Rec
Deductible (Individual w/in Family)	\$1,500/\$3,000 (\$2,800)	\$2,000/\$4,000 (\$2,850)	\$1,750/\$3,500 (\$2,800)		\$1000/\$2,000 (\$1000)	\$500/\$1,000 (\$500)	\$0	\$500/\$1,000 (\$500)	\$150/\$300 (\$150)
OOP Max (Individual w/in Family)	\$3,900/\$7,800 (\$6,850)	\$6,000/\$12,000 (\$6,000)	\$5,000/\$10,000 (\$6,850)		\$6,000/\$12,000 (\$6,000)	\$5,000/\$10,000 (\$5,000)	\$7,150/\$14,300 (\$7,150)	\$6,000/\$12,000 (\$6,000)	\$5,000/\$10,000 (\$5,000)
Coinsurance	20%	20%	20%		20%	20%	N/A	20%	20%
Primary Care Visit	20% after ded.	20% after ded.	20% after ded.		\$30	\$30	\$20	\$25	\$25
Specialist Visit	20% after ded.	20% after ded.	20% after ded.		\$50	\$50	\$40	\$40	\$40
ER visit	20% after ded.	20% after ded.	20% after ded.		\$750	\$750	\$500	\$750 after ded.	\$750
UC Visit	20% after ded.	20% after ded.	20% after ded.		\$80	\$80	\$30	\$50	\$50
Inpatient Hospital	20% after ded.	20% after ded.	20% after ded.		20% after ded.	20% after ded.	\$500	\$750 after ded.	\$750
Outpatient Surgery	20% after ded.	20% after ded.	20% after ded.		\$500	\$500	\$350	\$350	\$350
Rx Generic	20% after ded.	20% after ded.	20% after ded.		\$10	\$10	\$10	\$10	\$10
Rx Formulary	20% after ded.	20% after ded.	20% after ded.		\$40	\$40	\$40	\$40	\$40
Rx Non-formulary	20% after ded.	20% after ded.	20% after ded.		\$75	\$75	\$75	\$75	\$75
Rx Specialty	20% after ded.	20% after ded.	20% after ded.		30% after ded.	30% after ded.	20%	30% after ded.	30% after ded.
All other services	20% after ded.	20% after ded.	20% after ded.		20% after ded.	20% after ded.	Varies	20% after ded.	20% after ded.
HSA employer contribution	\$700 + \$200/dep	\$300	\$600		N/A	N/A	N/A	N/A	N/A
Approximate EE only Rate	\$43.94	\$66.27	\$46.72		\$105.91	\$66.19	\$171.05	\$171.48	\$139.63
Approximate E+S Rate	\$227.16	\$282.29	\$258.22		\$361.56	\$297.16	\$517.57	\$492.69	\$444.05
Approximate E+C Rate	\$117.80	\$160.27	\$146.63		\$214.77	\$173.40	\$343.23	\$304.92	\$274.39
Approximate E+F Rate	\$301.01	\$335.21	\$304.73		\$429.35	\$350.97	\$689.74	\$585.06	\$525.41
*Rates are being shown for illustrative purposes only. Rates will not be finalized until March when actuaries have sufficient experience and utilization to model from.									
	Current	12%	Gov Rec						
Basic Life Insurance	\$25k/\$12,500	\$10k/\$5k	\$15k/\$7,500						
Long Term Disability	60% benefit	50% benefit	Eliminated						
Medicare HRA Contribution	\$13 per YOS	\$11 per YOS	\$11 per YOS						

All plans proposed in Gov Rec have improved designs in comparison to what was approved by the Board in November. On the CDHP, deductibles have decreased and HSA contributions are higher. With a \$500/\$1000 deductible, the new low deductible copay-based plan can now accurately be described as a low deductible plan. While a newly implemented deductible on the EPO/HMO plan was not able to be entirely eliminated, it is now dramatically reduced. In addition, OOP maximums were reduced on all plans.

Rates overall, are projected to remain stable. All tiers on the CDHP are expected to experience small, but reasonable premium increases. The EPO and HMO will likely experience a decrease

in rates as a result of the policy decision approved by the Board in July 2020 that applies equal subsidies regardless of plan.

In addition to the above, Gov Rec assumes a 2% reduction in enrollment, the inclusion of the OON billed charges policy change, the addition of the narrow pharmacy network options, and the reduction of the Medicare HRA contribution from \$13 to \$11 as part of the overall reduction in program costs. The basic life insurance benefit is improved slightly, from the \$10k/\$5 levels approved by the Board in November, to \$15k/\$7,500. One significant change is the elimination of the unbundling of dental, which added to the cost of premiums significantly. Unfortunately, the Long-Term Disability Benefit is entirely eliminated but PEBP expects to be able to offer this as a voluntary product in the near future.

In general, PEBP fared very well through this undoubtedly tough budget building process. The program is able to offer its' members more choice and access without having to significantly raise premiums, which aligns with PEBP's mission of providing employees, retirees and their families with access to high quality benefits at affordable prices. PEBP is appreciative of the support that the Governor and his staff have provided and grateful that such a high priority was placed on employee medical benefits.

The full details of the Governor's Executive Budget – 2021-2023 Budget Highlights can be found here:

<https://ewscripps.brightspotcdn.com/52/3f/e88ec9d54d68a2c5ce09533c1465/2021-2023-governor-executive-budget-highlights.pdf>

RECOMMENDATION:

PEBP recommends the Board approve the following plan changes for PY22 based on the proposals included in the Governor's Recommended Budget:

1. Plan design as illustrated in the table on pg. 2
2. Reduction of basic life insurance from \$25k/\$12,500 to \$15k/\$7,500 (active/retiree)
3. Elimination of the Long-Term Disability Benefit

